

DETERMINATIONS, FINDINGS, CONCLUSIONS AND ORDER OF THE SECRETARY OF FOOD AND AGRICULTURE

In Regard to the Public Hearing Held on July 6, 2006

DETERMINATIONS

A duly noticed public hearing was held by the Department of Food and Agriculture (Department) on July 6, 2006, to consider amendments to the Milk Stabilization and Marketing Plans for Market Milk (Stab Plans) and the Pooling Plan for Market Milk (Pool Plan). The amendments under consideration regarded changes to milk movement incentives, namely, transportation allowances and transportation credits. The Department called the hearing after receiving a petition from California Dairies, Inc, a dairy cooperative with multiple processing plants in central and southern California.

Testimony and evidence pertinent to proposed changes were received into the hearing record; additional material was submitted by means of post-hearing briefs following the close of the hearing. The Secretary's decision is based on both the hearing record and on the Panel Report to the Secretary of Food and Agriculture (Attachment A). In weighing all available information, the Department has determined that changes to the current Stab Plans and Pool Plan are warranted and necessary to continue to effectuate the declared purposes of the Food and Agricultural Code.

The Secretary continues to support three objectives on which stakeholder support has been unwavering since the 2000 Milk Movement workshops:

- (1) closest milk serves the Class 1, 2 and 3;
- (2) minimizing the cost to the pool; and
- (3) "incentivize" those producers who are serving Class 1, 2 and 3 markets.

However, the Secretary believes that the Panel Report in this matter places too much emphasis on a developing model which attempts to balance allowance and credit costs. Therefore the Secretary makes the following modifications to the Panel Report:

For the newly created Barstow Supply Area for Transportation Allowances:

- Rates for mileage brackets higher than 89 miles should have a transportation allowance rate of \$.37 per cwt.
- Los Angeles should be included in the "Other" Supply Area rather than Barstow Area

For the Los Angeles Supply Area to Orange, Riverside and other listed Southern California Counties, the Transportation Credit should be \$.37 per cwt.

A Transportation Credit from the Supply Area of Merced and Stanislaus Counties should be established to the deficit County of Sacramento at the rate of \$.20 per cwt., the same rate as the Transportation Allowance between the areas.

FINDINGS AND CONCLUSIONS

The Department has considered all relevant information, including, but not limited to, testimony and items of evidence submitted by all parties to these proceedings, whether or not specifically mentioned herein, in rendering these findings. The Department has considered all provisions set forth in Chapters 2 and 3, Part 3, Division 21 of the Food and Agricultural Code, whether or not specifically mentioned herein, in rendering these findings.

These include, without exception, all provisions and declarations regarding public interest considerations. It is hereby found and concluded that: the current Milk Pooling Plan and Stabilization and Marketing Plans for Market Milk now in effect no longer conform to the standards prescribed in nor tend to effectuate the purposes of said Chapters 2 and 3 and that the proposed changes in the Panel Report (Attachment A), adjusted with the modifications stated above, conform to the standards prescribed in and tend to effectuate the purposes of said Chapters 2 and 3.

ORDER

It is hereby ordered that the Pooling Plan for Market Milk Order Number 106, the Stabilization and Marketing Plan for Market Milk for Northern California Order Number 49 and the Stabilization and Marketing Plans for Market Milk for Southern California Order Number 64 shall become effective at 12:00am, September 1, 2006.

Original signed by:

A. J. Yates , Under Secretary
California Department of Food and Agriculture
Signed and entered in
the Office of the Secretary
of Food and Agriculture at
Sacramento, California,
On August 22, 2006